

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

Supplement A — No 5 — May 1987

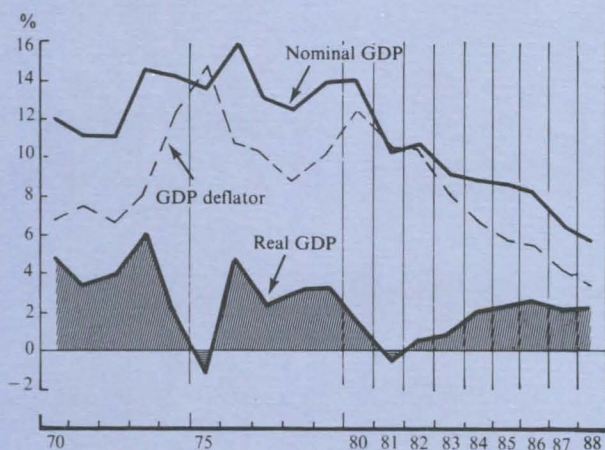
*In this number:
Economic forecasts
for 1987 and 1988¹*

Recent economic trends

The Commission's new economic forecast for 1987 and 1988, which is based as usual on a "no policy change" assumption, has the following main features:

- Economic recovery in the Community is continuing at a lesser pace than forecast last Autumn. Whereas in the Autumn the Community economy was expected to grow by 2,8 % in 1987, this forecast figure has now had to be revised downwards to barely 2 % with a similar rate of growth expected in 1988.
- This downward revision for the Community as a whole was mainly caused by developments in the international environment and particularly by the larger than expected fall of the dollar exchange rate against the ECU. The prospects for exports and consequently those for enterprise investment have deteriorated sharply.
- The slackness of economic activity adversely affects employment prospects. The forecast is of around 0,5 % employment growth in both 1987 and 1988. This will only allow a stabilisation of unemployment at a high and unacceptable level (around 12 % of civilian labour force).
- The previous forecast of low consumer price inflation in 1987 is confirmed (+ 3,2 %), and about the same rate is expected for next year.
- The Community's external surplus on current transactions, which could fall from 1,1 % of GDP in 1986 to 0,7 % in 1987, is likely to decline further in 1988 (0,4 %).
- The general government borrowing requirement is expected to contract only marginally in those countries where it is already particularly high, resulting in increased burdens of public debt on government expenditure.

GRAPH 1: Nominal GDP, Deflator of GDP, real GDP
(percentage change on preceding year, EC,
1970-1988)¹



¹ 1987-1988: forecasts.

Source: Commission services

Growth perspectives of world economy remain subdued. — The problems which in the forecast of last Autumn were already assessed to cast a shadow on the prospects for the world economy have not eased since then. The huge imbalances in the international payments position which are concentrated in the US as the main deficit country and in Japan as the principal surplus country are seen to continue unabated in the forecast period. Furthermore, recent events have called attention once again to the fact that the debt problem has not yet been overcome. Last but not least, protectionism keeps on threatening the prospects for a sustained development of international trade. As in 1986, the economies of most OECD countries outside the EC are likely to grow at rates of about 2 1/2 to 3 % in 1987 and 1988. Thus it is expected that growth rates of the industrialized countries will remain very close throughout the forecast period. This contrasts with the trends in the first half of the 'eighties, when the business cycles of the Community, the US and Japan tended to be much less synchronized.

Moderate growth in the United States. — The growth of the United States economy slowed down from 6,4 % during 1984 to 2,8 % in 1985 and to 2,5 % in 1986. For 1987 and 1988 the full impact of the moderately restrictive budgetary policy will continue to be felt, leading to low real disposable income growth of households as in 1986. Notwithstanding a rise in the personal savings ratio, the increase in household consumption is therefore expected to remain rather moderate.

Exports of goods are forecast to increase rather strongly in response to improved competitiveness from 4,4 % growth in

¹ The following text summarizes the results of the Commission's Spring forecasting round. The cut-off date for information used in the forecasts was 4 May 1987. The previous forecast for 1986 and 1987 was summarized in Supplement A, n° 10, October 1986.

TABLE 1: World GDP/GNP (at constant prices)

	Percentage change on preceding year					
	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	1,4	2,2	2,4	2,5	2,2	2,3
USA	3,6	6,4	2,8	2,5	2,3	2,5
Canada	3,6	5,3	4,0	3,1	2,3	2,8
Japan	3,2	5,0	4,5	2,5	2,7	3,2
Other OECD	1,9	4,1	3,5	2,5	2,3	2,3
OECD total	2,4	4,3	3,0	2,5	2,3	2,5
OPEC	-1,0	1,5	1,0	-1,0	1,0	3,0
Other developing countries	2,4	4,8	3,8	4,2	4,0	4,0
of which: NICs ²	1,3	4,5	2,7	5,9	4,7	4,3
: Other LDCS	3,5	5,0	5,0	2,5	3,3	3,6
CPE ³	3,9	3,9	3,3	4,0	2,8	3,0

¹ Forecasts.² Newly industrialised countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.³ Centrally planned economies: Excluding China, which is in other LDCS.

Source: Commission services.

TABLE 2: World export prices¹

	Percentage change on preceding year					
	1983	1984	1985	1986	1987 ²	1988 ²
Fuels	-11,0	-3,5	-2,4	-46,9	5,4	6,8
Other primary commodities	-1,5	-1,5	-10,5	5,4	-1,5	2,6
Manufactures	-3,3	-3,7	-1,2	18,2	12,7	6,8

¹ Based on export prices in US dollars.² Forecasts.

Source: United Nations and forecasts by Commission services.

volume terms in 1986 to 12 % in 1987 and to 7,8 % in 1988. Non-oil imports are likely to increase only slowly. Imports of goods which registered a surge of 13,5 % in 1986 are likely to decrease to a growth rate of approximately 3 % this year and next. Even though oil imports should increase further, the deficit of the trade balance in volume terms has already bottomed out; at current values, however, it continues to show a deterioration. The fob/fob trade deficit is expected to remain at around USD 150 bn this year and next.

In view of the pressure for a further reduction in the Federal budget deficit, it is assumed that fiscal policy will remain restrictive in 1988. Monetary policy on the other hand is expected to remain cautiously accommodating, as the Federal Reserve pursues its policy of attempting to restrain inflation without pushing the economy into recession. Under these conditions GNP at constant prices may be expected to grow by around 2 1/2 % in the two forecasting years (Table 1)

Mixed prospects for other parts of the world economy. — The rise in the yen over the past two years has substantially reduced the competitiveness of Japanese exports. The government seems to have acknowledged that domestic demand must now take over from exports as the driving force in the economy, but the budgetary policy stance has remained restrictive in spite of a stimulatory package in the Autumn of 1986. Further changes, including a major tax reform and a further fiscal boost are under discussion. The increase in domestic demand in 1987 and 1988 is unlikely to compensate fully for the poor export performance. GNP growth which amounted to 2,5 % in 1986 could rise marginally to 2,7 % in 1987 and to 3,2 % in 1988. Import volumes which rose by 13 % in 1986 are expected to increase by 10 % in 1987 and by 8 % in 1988.

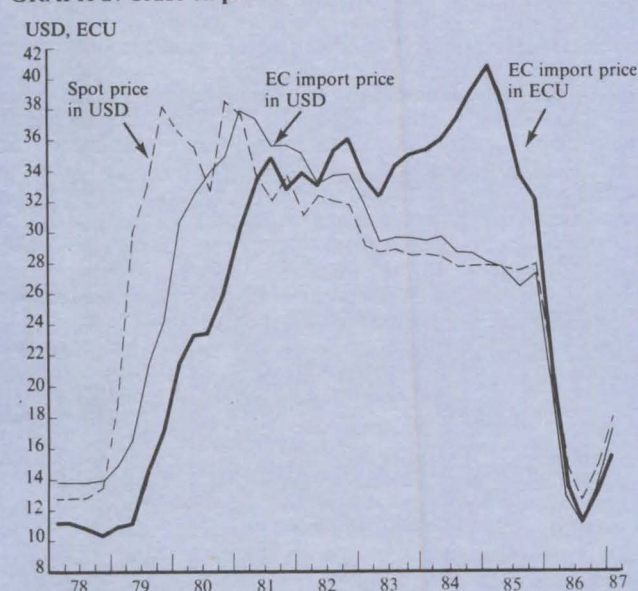
In other OECD countries in Europe (excluding the Community) economic growth was on average relatively buoyant in 1986 and imports rose rapidly, contributing to the growth of EC export markets. In 1987 and 1988, however, these markets will expand substantially less rapidly, specifically in Norway where the loss of oil revenue has reduced the scope for expansion of domestic demand.

The indebtedness of non-oil developing countries has not diminished since the crisis of 1982, and servicing costs for the heaviest debtors now even exceed one-third of their export earnings. Although for some of these countries exports are gradually shifting towards manufactured goods, the continued weakness in primary commodity prices implies a long-term deterioration in their terms of trade, and reduces substantially the positive contribution they can make towards a higher growth of world trade.

Most Newly Industrialized Countries (NICs) have profited substantially over the past year by letting their exchange rates follow closely the decline of the dollar. Thus they have been able to expand their exports not only to Japan and the EEC, against which they have devalued, but also to the United States, where they have gained market share against European and Japanese competitors. They are now as a group in a strong external position. Their import growth is assumed to increase by 5 % per year and therefore to constitute a growing part of all developing countries external demand over the next year.

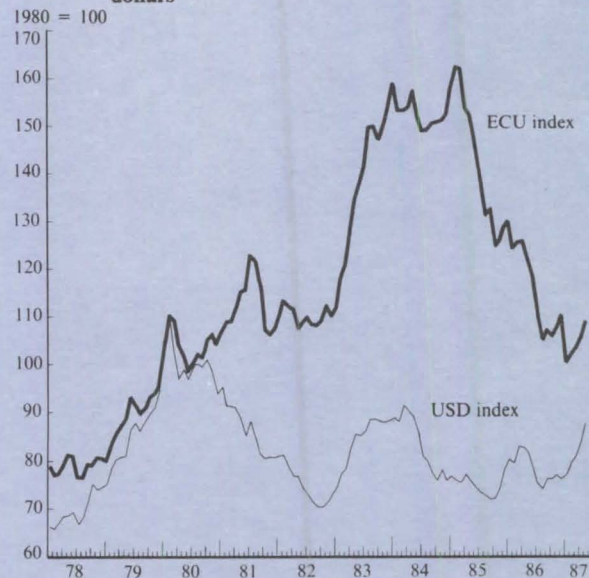
Oil and raw material prices slightly higher. — Towards the end of 1986, OPEC agreed new production quotas, designed to stabilise prices at USD 18 per barrel. However, many consumers had built up stocks in the course of 1986 in order to take advantage of the low oil prices during the summer, and therefore demand has remained weak. Prices have fluctuated mainly below the agreed target level even though output has been cut back, in particular by Saudi Arabia. Some production capacity is no

GRAPH 2: Crude oil prices



Source: Commission services.

GRAPH 3: Non-oil commodity price indices in ECU's and US dollars



Source: Commission services.

TABLE 3: World imports (at constant prices)

	Percentage change on preceding year					
	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	2,2	6,6	5,5	6,7	5,8	4,6
USA	13,1	24,0	4,7	13,5	3,1	3,5
Canada	11,2	18,6	6,6	7,3	3,4	4,5
Japan	1,2	10,8	-1,9	13,0	9,9	7,8
Other OECD	0,8	10,8	6,9	5,3	1,9	3,2
OECD total	3,8	11,7	5,2	8,7	4,9	4,5
OPEC	-7,9	-9,2	-15,2	-20,0	-10,0	0,0
Other developing countries	-1,2	5,2	4,2	-1,8	2,8	3,6
of which: NICs ²	2,9	6,1	-1,1	5,8	5,0	4,9
: Other LDCS	-5,0	4,4	9,9	-9,0	0,3	2,1
CPE ³	2,6	4,7	3,0	-6,0	-2,0	3,0
World	1,8	8,6	3,6	4,7	3,7	4,1

¹ Forecasts.² Newly industrialised countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.³ Centrally planned economies: Excluding China, which is in other LDCS. Excluding intra-Comecon trade.

Source: Commission services.

longer capable of yielding a profit, notably in the USA, so that the world wide supply potential has already suffered a marginal cut. Nevertheless, as demand remains weak, the future of prices is uncertain, and fluctuations are probable. As a working hypothesis the price of crude oil has been assumed to average USD 15 per barrel in 1987 and USD 16 in 1988.

Notwithstanding the devaluation of the dollar, the prices of other commodities in dollar terms are assumed not to change significantly in 1987 and 1988. Stocks are still abundant, and although here and there production cuts have been achieved and production agreements renegotiated, the restraint in supply has not been sufficient to boost prices in the face of continuously weak demand (Table 2). However, since the cut off date for this forecast (4.5.1987) crude oil and other commodity prices seem already to have increased slightly more than foreseen in Spring.

TABLE 4: World balances of current account
(in billions of US dollars)

	1983	1984	1985	1986	1987 ¹	1988 ¹
EUR	0,2	3,0	14,4	45,9	34,3	23,3
USA	-46,7	-106,5	-111,8	-140,6	-144,9	-138,8
Canada	2,4	2,5	-0,4	-7,1	-5,3	-1,1
Japan	20,8	35,0	49,2	85,9	85,1	82,4
Other OECD	-7,3	-4,2	-4,4	-27,4	-28,7	-29,2
OECD total	-30,6	-70,2	-53,0	-43,4	-59,6	-63,3
OPEC	-21,8	-8,0	3,2	-31,7	-16,0	-6,8
Other developing countries	-38,4	-24,2	-24,3	-12,9	-11,1	-6,3
of which: NICs ²	-13,3	-2,6	11,2	18,7	24,5	31,1
: Other LDCS	-25,1	-21,6	-35,5	-31,7	-35,6	-37,4
CPE ³	10,9	12,9	4,1	-2,5	-0,4	0,4
Errors and omissions	-79,9	-89,4	-90,5	-90,5	-87,0	-76,0

¹ Forecasts.² Newly industrialised countries: Argentina, Brazil, Hongkong, Israel, South-Korea, Philippines, Singapore, South-Africa, Taiwan, Thailand and Yugoslavia.³ Centrally planned economies: Excluding China, which is in other LDCS. Excluding intra-Comecon trade.

Source: Commission services.

TABLE 5: Interest and exchange rates assumption

	1983	1984	1985	1986	1987 ¹	1988 ¹
Annual rates (percentage)						
Rates of interest (US)						
— Short-term ²	8,7	9,5	7,5	6,0	5,5	5,4
— Long-term ³	10,8	12,1	10,8	8,1	7,6	7,7
Change on preceding year (percentage)						
Exchange rate of USD						
— Vis-à-vis ECU ⁴	9,8	13,4	3,7	-22,7	-13,5	-3,7
— Vis-à-vis YEN ⁴	-4,5	0,0	0,1	-29,3	-8,7	-6,0

¹ Forecasts.² 13-week US treasury bills.³ US bonds over 10 years.⁴ + (-) signifies an appreciating (depreciating) USD.

Source: Commission services.

TABLE 6: Rates of change of demand components and contributions to GDP growth (EUR, 1975-88)¹

	Percentage change on preceding period ¹ at constant prices				
	1975-84	1985	1986	1987 ¹	1988 ¹
Private consumption	2,0	2,3	3,7	3,1	2,8
Government consumption	2,3	1,7	2,0	2,0	1,7
Fixed capital formation	0,1	2,4	3,6	4,1	3,7
— Construction	—	-3,1	2,7	2,8	2,8
— Equipment	—	9,2	4,5	5,3	4,6
Exports of goods and services	4,2	5,4	1,7	2,2	3,3
Imports of goods and services	3,3	5,2	5,8	5,4	4,5
GDP	1,8	2,4	2,5	2,2	2,3
	8602	8701	8702	8801	8802 ²
Private consumption	3,0	3,1	3,2	2,7	2,5
Government consumption	3,1	1,3	2,3	1,4	1,6
Fixed capital formation	4,0	3,4	5,3	2,9	3,8
— Construction	6,1	0,7	3,9	2,0	3,4
— Equipment	1,9	6,2	6,7	3,8	4,2
Exports of goods and services	2,7	1,8	2,6	3,4	4,0
Imports of goods and services	8,6	4,2	4,9	4,2	4,6
GDP	2,5	1,6	3,0	2,0	2,3

Contributions to changes in GDP³

	1975-84	1985	1986	1987 ¹	1988 ¹
Final domestic demand	1,6	2,2	3,3	3,1	2,8
Stockbuilding	-0,1	-0,0	0,4	0,1	-0,1
Foreign balance	0,2	0,1	-1,2	-1,0	-0,4
	8602	8701	8702	8801	8802 ²
Final domestic demand	3,2	2,8	3,5	2,5	2,6
Stockbuilding	1,0	-0,4	0,2	-0,2	-0,1
Foreign balance	-1,7	-0,7	-0,7	-0,3	-0,3

¹ Forecasts.² Half-yearly figures at annual rates, seasonally adjusted (8602 = second half of 1986 etc.).³ Change as percentage of GDP of preceding period.

Source: Commission services.

Sluggish world trade to recover modestly from mid-1987. — In 1986, the large fall in demand for imports by oil producing countries was partly offset by brisk trade among the OECD countries. World imports excluding the Community grew by about 3 1/2 % in volume terms.

However, world trade has slackened recently, partly due to the slowdown of demand from the United States. This demand gap is expected to be temporary because the US, and, in its wake, total OECD imports are likely to pick up in the second half of 1987. Meanwhile, after a period of decline, the imports by OPEC countries will stabilise at zero growth. Imports of the poorer developing countries are expected to increase slightly. Even so, for 1987 as a whole world import growth excluding the Community will probably be limited to a sluggish 2,5 % and could increase to 3 1/2 - 4 % in 1988 in the absence of disturbances. Taking into account the buoyant import demand from the Member States, total world trade including the Community is forecast to rise by 3,7 % in 1987 and by 4,1 % in 1988 (Table 3).

World payments imbalances persist. — World payments imbalances increased further in 1986 and are likely to persist this year and next, the only easing of significance being the halving of the EC current account surplus between 1986 and 1988. The lagged reaction of US trade flows to the dollar depreciation has led to a higher than expected American trade and current balance deficit in 1986 and to a slight further upward revision in 1987 despite the lower dollar rate. The US current account deficit is forecast to fluctuate around a level of around USD 140 bn in both forecasting years, while the Japanese surplus is likely to remain equally tenacious, exceeding USD 80 bn in each year. Among the developing countries the sharp contrast between the newly industrialized economies and the rest is likely to sharpen: in fact, the former group of countries is expected to experience a surplus in their aggregated balance on current transactions which will exceed that of the Community in 1988 (Table 4).

Pattern of exchange rates and interest rates adjusted. — The further decline of the dollar vis-à-vis the European currencies since the Autumn forecast has led to an upward revision of the USD depreciation against the ECU for the average of 1987 to 13,5 % instead of the initially assumed 5,5 %. For 1988 only a slight further depreciation of the dollar of 3,7 % against the

ECU has been assumed (Table 5). These working hypotheses imply a DM/Dollar rate of DM 1,70 at the end of 1988.

Short-term interest rates in Europe are assumed to decline moderately between now and the end of next year, while those in the United States are supposed to remain approximately at their present level (Table 5).

Risks for the Community economy. — To sum up, the risks which were facing the world economy in the October 1986 forecast have not eased since then. Even though the dollar has depreciated more than expected, the correction of the US external deficit is not seen to materialize very quickly and subsequently the exchange rate outlook remains highly uncertain. World demand for oil will probably remain weak, so that the oil price will probably continue to fluctuate around a slightly higher average level. Nevertheless demand for imports from oil producing countries remains difficult to foresee. Some developing countries remain confronted with their debt problem which may be aggravated by a rise in dollar interest rates, provoked by external finance requirements and by doubts about future

TABLE 7: Gross domestic product, volume (percentage change at constant prices on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	2,6	-0,3	1,7	1,5	2,2	1,2	2,1
DK	2,0	2,0	3,4	3,8	3,4	-0,2	0,5
D	2,1	1,5	2,7	2,6	2,5	1,5	2,0
GR	3,6	0,4	2,8	2,1	1,3	-0,7	0,6
E	3,0	1,8	1,9	2,2	3,0	2,8	3,0
F	3,0	0,7	1,5	1,1	2,4	1,5	2,4
IRL	4,4	-1,9	4,2	2,0	0,5	1,1	1,6
I	2,7	-0,2	2,8	2,3	2,7	3,2	2,8
L	2,4	3,2	5,5	2,9	2,3	2,0	1,6
NL	2,1	1,4	2,4	1,7	2,1	1,7	1,1
P	4,4	-1,4	-2,8	4,1	4,3	3,4	3,0
UK	1,5	3,8	2,1	3,7	2,4	3,1	2,6
EUR	2,4	1,4	2,2	2,4	2,5	2,2	2,3
USA	2,2	3,6	6,4	2,8	2,5	2,3	2,5
JAP	4,4	3,2	5,0	4,5	2,5	2,7	3,2

¹ Forecasts.

Source: Commission services.

inflation in the United States. Furthermore, protectionism may threaten the prospects for the development of international trade. Assuming that these potentially adverse influences do not materialize, the Community economy could develop next year along the following lines.

Economic activity in the Community to pick up after mid-1987 and to continue smoothly in 1988, but not in sufficient measure.

— In the preceding two years substantial changes in the international environment have occurred, the effects of which will continue to be felt in 1987. Real GDP in the Community is expected to grow slightly above 2 % in volume in both 1987 and 1988, which is significantly lower than the growth rate

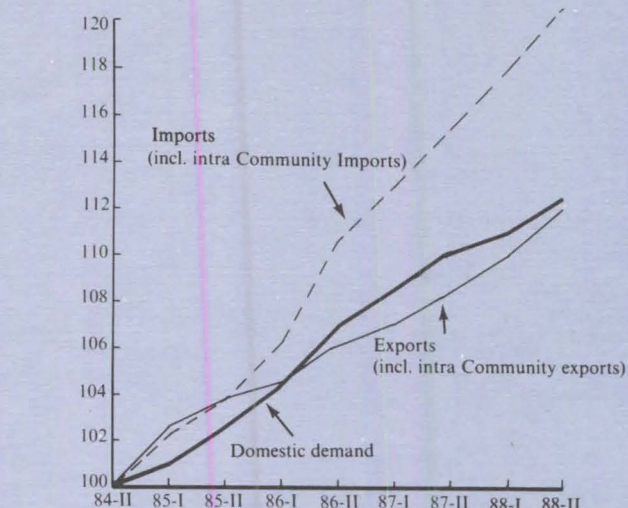
TABLE 8: Final domestic demand, volume (percentage change at constant prices on preceding year, EC countries, EC, USA, Japan, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	2,4	-2,5	1,8	1,2	3,2	1,6	1,6
DK	1,2	0,9	4,0	5,3	5,7	-1,2	-1,3
D	1,7	2,3	1,9	1,5	3,7	3,0	2,8
GR	3,4	-0,4	1,9	2,3	-0,3	-1,2	0,1
E	2,9	-0,1	-0,5	2,7	5,8	4,7	3,8
F	3,2	-0,5	0,5	1,9	4,0	2,0	2,3
IRL	3,8	-4,1	1,0	-0,4	0,7	0,6	1,1
I	2,3	-1,3	3,5	2,4	3,2	4,3	3,3
L	2,3	0,5	1,7	0,8	3,9	3,3	2,2
NL	1,5	1,5	1,4	2,2	3,2	3,0	0,9
P	4,4	-7,4	-8,5	1,3	8,4	6,2	4,5
UK	1,3	4,7	2,8	2,8	3,2	3,5	2,8
EUR	2,2	0,8	1,6	2,2	3,7	3,1	2,7
USA	2,4	4,6	7,4	4,3	3,5	1,9	2,3
JAP	3,9	1,8	3,8	3,6	4,1	3,7	3,6

¹ Forecasts.

Source: Commission services.

GRAPH 4: Domestic and external demand, EUR 12, volumes (84-II = 100)



Source: Commission services.

estimated last Autumn for 1987. This downward revision for the Community as a whole has been mainly caused by developments in the international environment, in particular the larger than expected fall of the dollar exchange rate against the ECU. The prospects for exports and consequently those for investment in equipment related to exports have deteriorated sharply. In addition there are incidental factors such as the harsh winter weather and in Germany the end of tax relief for automobiles in 1986 resulting in a sales backlash at the beginning of this year. These factors are not bound to lead to a recession but rather to a temporary deviation from the underlying growth path which started four years ago. GDP growth is expected to recover in the second half of the year, running at an underlying rate of 2 - 2 1/2 % in the rest of the forecast period.

Domestic demand, stimulated by the large terms-of-trade improvement in 1986, is expected to keep on growing this year and next, although its growth will slow down somewhat. Foreign trade is likely to continue to constrain substantially these developments in 1987 and to a lesser extent in 1988. The expected increase in export volumes of goods in 1987 has been nearly halved from 3,1 % in Autumn to around 2 %. Exports will probably recover rather modestly from the second half of 1987 onwards. The rate of growth of investment in equipment in 1987 has been revised downwards by 1 1/2 points to 5,3 % (Table 6). Regarding domestic demand, the revisions to the earlier forecast for 1987 are less dramatic, but still important (+ 3,5 % in the Autumn forecast against + 3,1 %). The positive contribution of domestic demand to the growth rate of GDP will diminish slowly from 3,3 % in 1986 to 3,1 % in 1987 and 2,8 % in 1988. As a result, GDP growth of 2,5 % in 1986 decelerates slightly to 2,2 % in 1987 and 2,3 % in 1988. The forecast confirms the conclusion drawn in the October report that the recovery is entering its sixth consecutive year, however at a modest rate of growth which will be insufficient to make any inroads into the existing levels of unemployment.

Trends in Member States diverge. — The performance of individual countries in 1987 is characterised by an increase of growth differentials in the short term context. The weakening of foreign demand seems to have hit Germany more than other Member States. In the case of France, the prospects are not only affected by a slower growth of exports, but also by the short-term effects of internal adjustment policies, which show up more clearly now. Italy, Spain and the UK on the other hand are expected to grow by around 3 % in 1987. The performance of the British economy may be largely explained by the divergent exchange rate movements, and that of Spain (and Portugal) by the effects resulting from their entry into the Community. The dynamism of the Italian economy may be ascribed to a flexible adjustment of export industries and to rather accommodating economic policies. Most of the smaller economies are in the process of

TABLE 9: Export markets and export performance (percentage change on preceding year, 1986-88)

	Export markets			Export performance ¹		
	1986	1987 ²	1988 ²	1986	1987 ²	1988 ²
B	5,0	4,3	4,1	0,0	-0,9	0,2
DK	4,5	3,0	3,6	-4,3	-2,5	-1,0
D	4,6	3,9	4,2	-4,7	-4,7	-3,1
GR	1,8	2,8	3,6	14,9	0,7	0,4
E	2,5	3,3	3,8	-5,9	-0,7	0,5
F	3,2	3,9	4,1	-2,8	-1,1	0,6
IRL	5,5	4,5	4,3	-3,4	0,0	0,6
I	3,6	2,9	3,7	1,4	-0,7	0,3
L ³	—	—	—	—	—	—
NL	3,7	3,4	3,4	-1,0	-1,4	-0,1
P	5,4	4,0	3,9	3,4	1,3	2,5
UK	3,6	2,7	3,6	0,1	2,5	0,1
EUR	4,0	3,6	3,9	-1,8	-1,3	-0,5
USA	2,1	3,9	3,7	2,3	7,8	3,9
JAP	3,3	0,7	3,2	-5,1	-3,6	-3,1

¹ Export growth divided by market growth (includes intra community trade).² Forecasts.³ Included in the figures for Belgium.

Source: Commission services.

TABLE 10: Export price competitiveness¹ (1986-88)

	B	DK	D	GR	E	F	IRL
1986	5,4	6,9	14,8	-1,8	5,4	5,3	0,8
1987 ²	2,1	4,3	3,5	0,7	0,4	3,2	0,5
1988 ²	-0,8	-1,4	-0,7	-0,9	-1,0	-0,9	1,2

	I	NL	P	UK	EUR	USA	JAP
1986	4,2	9,4	3,0	-3,7	6,8	-19,1	5,7
1987 ²	2,6	1,6	-1,7	-0,0	2,4	-6,0	1,8
1988 ²	-2,1	-0,1	-1,5	0,5	-0,7	2,2	1,8

¹ Percentage increase of country's export prices over that of competitor's export prices.² Forecasts.

Source: Commission services.

TABLE 11: Exports of goods, volume (percentage on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	4,6	2,4	4,9	2,2	5,0	3,4	4,3
DK	4,9	6,2	5,4	3,9	0,1	0,5	2,5
D	5,5	-1,0	8,5	7,9	-0,4	-1,0	1,0
GR	8,4	14,2	21,4	-0,1	16,9	3,5	4,0
E	9,5	10,2	13,1	2,9	-3,5	2,5	4,3
F	6,8	4,9	7,6	2,3	0,3	2,7	4,8
IRL	7,9	12,0	17,6	6,7	1,9	4,5	4,9
I	6,5	4,4	6,1	7,3	5,0	2,2	4,0
L	0,8	4,3	21,7	10,3	2,0	0,8	1,6
NL	4,3	4,6	6,9	5,1	2,7	2,0	3,3
P	—	22,8	15,2	10,7	9,0	5,3	6,5
UK	3,9	1,8	8,4	5,4	3,7	5,3	3,7
EUR	5,5 ²	3,1	8,0	5,4	2,1	2,2	3,4
USA	5,5	-3,2	7,3	2,2	4,4	12,0	7,8
JAP	6,9	8,7	16,0	4,0	-2,0	-3,0	0,0

¹ Forecasts.² Total excluding Portugal.

Source: Commission services.

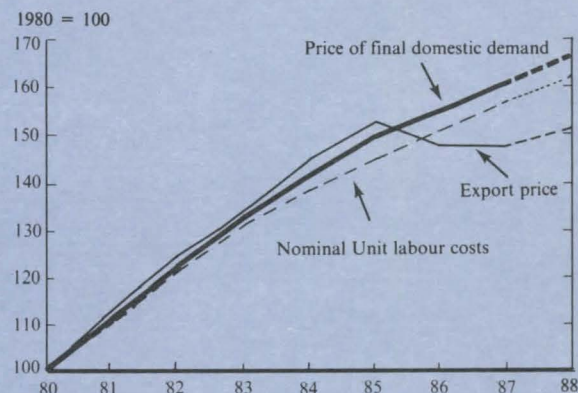
TABLE 12: Imports of goods, volume (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	4,3	-0,4	5,0	1,1	7,0	4,0	3,5
DK	1,2	1,7	6,6	8,0	6,5	-2,6	-2,4
D	3,7	2,5	6,6	5,2	3,7	4,0	3,8
GR	5,2	9,4	-0,1	13,4	4,2	0,0	1,0
E	5,1	-0,1	-1,0	5,0	17,6	14,2	8,5
F	7,8	-0,8	3,6	5,8	7,3	4,4	4,3
IRL	5,1	4,5	10,5	3,0	0,3	3,0	4,0
I	4,6	-0,7	9,0	8,8	7,5	7,0	5,9
L	1,8	1,5	14,6	5,5	4,0	2,5	2,4
NL	2,6	4,5	6,1	5,9	4,0	4,4	3,0
P	—	-7,2	-2,7	3,0	18,1	11,0	8,5
UK	2,9	8,0	11,1	3,2	6,2	7,8	5,0
EUR	4,4 ²	2,2	6,6	5,5	6,7	5,8	4,6
USA	3,8	13,1	24,0	4,7	13,5	3,1	3,5
JAP	3,4	1,2	10,8	-1,9	13,0	9,9	7,8

¹ Forecasts.² Total excluding Portugal.

Source: Commission services.

GRAPH 5: Price of final domestic demand, nominal labour costs and export prices, EUR 12, national currencies, Indices 1980 = 100



Source: Commission services.

adjusting internal or external disequilibria and are thus likely to grow by less than the average in both forecasting years.

Income and expenditure of households to expand further, but at declining rates. — Turning to the components of domestic demand, some downward revisions to the Autumn forecast have been necessary but they remain minor at Community level.

The increase in private consumption in the current year has been revised downwards from 3,5 % in the Autumn forecast to 3,1 %. It was supposed initially that the savings ratio of households would rise in 1986 and decline noticeably in 1987, as consumers adjusted their spending behaviour with a certain lag to the sudden rise of real disposable income in 1986. It seems now that the expenditure lag has been much shorter than expected. In fact, the average savings ratio of the Community did not rise last year and is expected to decline somewhat in 1987/88. Real disposable income of households is forecast to grow by 2,7 % this year, 0,3 points less than in the Autumn forecast. Next year real household income may rise by 2,4 % on present hypotheses, and due to a slight fall in the savings ratio, private consumption could increase by 2,8 %.

In contrast to the other components of demand the growth rate of government consumption in 1987 has been revised upwards in this forecast (from 1,3 % to 2,0 %) because of incidental factors in some Member States. However, government expenditure next year in the Community is seen to remain on the moderate growth path of the last couple of years (1988: + 1,7 %).

Investment in equipment less vigorous, moderate recovery in construction to continue. — The slowdown in foreign demand seems to have affected capital formation in equipment immediately so that its rate of growth in 1987 has been revised downwards by 1 1/2 points to 5,3 %. This reflects the fact that the cyclical downturn in European industry has been concentrated since October mainly in the capital goods sector. However, a further significant weakening in the forecast period is not expected: the financial position of enterprises is seen to remain favourable, and the degree of capacity utilization in industry is relatively high. Equipment investment is forecast to rise by 4,6 % next year.

An element of stability in the present situation is provided by the continuing moderate recovery of investment in construction, which is expected to increase this year and next by 2,8 % per year as compared to -3,1 % in 1985 and 2,7 % in 1986.

Stockbuilding, which is estimated to have contributed almost one half of a percentage point to GDP growth in 1986, is expected to be neutral in both 1987 and 1988.

Exports continue to be impaired by weak markets outside the Community and by the dollar decline. — Both the slower-than-expected expansion of world trade and the further fall of the

TABLE 13: **Balance on current account** (as percentage of GDP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-1,1	-0,5	-0,4	0,4	2,5	3,5	3,6
DK	-3,1	-2,6	-3,3	-4,5	-4,7	-3,3	-2,5
D	0,6	0,6	1,1	2,2	3,9	2,8	2,0
GR	-2,3	-5,1	-4,0	-8,2	-5,4	-4,7	-5,2
E	-1,5	-1,5	1,3	1,7	1,9	0,7	0,3
F	-0,9	-1,7	-0,8	-0,8	-0,2	-0,4	-0,4
IRL	-7,7	-7,0	-6,1	-3,2	-1,8	-1,4	-1,2
I	-0,7	0,2	-0,9	-0,7	0,8	0,5	0,1
L	20,8	38,5	38,9	42,4	41,5	39,7	38,3
NL	1,6	3,1	4,1	4,3	2,9	1,6	1,5
P	-5,2	-6,3	-1,9	1,7	3,9	1,0	-0,8
UK	-0,4	0,7	-0,3	0,8	-0,3	-0,8	-0,7
EUR	-0,4	-0,1	0,1	0,5	1,1	0,7	0,4
USA	0,2	-1,4	-2,6	-2,9	-3,4	-3,3	-2,9
JAP	0,4	1,8	2,8	3,7	4,3	3,8	3,3

¹ Forecasts.

Source: Commission services.

dollar exchange rate since last Autumn resulted in a slowdown in the volume of exports of the Community by more than expected in the October 1986 forecast. The expected increase in export volumes of goods in 1987 has been lowered from 3,7 % to about 2 %. In 1988 exports are assumed to rise by 3,4 %.

The Community's export markets in third countries, which stagnated in 1986, are assumed to expand modestly this year (+ 0,8 %) and next (+ 2,9 %). Thanks to buoyant intra-EC demand, total export markets may continue to grow at a stable rate of 3 1/2 % - 4 % in the forecast period (Table 9).

The reaction of exports prices to the fall in the dollar exchange rate remains rather uncertain in present circumstances. It is assumed in this forecast that the average prices of total exports of goods in national currencies will again decline (by about 2 %) this year, with the prices of manufactures remaining approximately stable; next year total export prices as well as those for manufactures may rise by around 1 1/2 %. These forecasts for export prices of the Community imply, together with the assumptions on exchange rates and export prices of other countries, that the Community's export price competitiveness, after a sharp deterioration last year (rise of export prices in a common currency by nearly 7 percentage points above the rise in competitors' prices) will deteriorate again moderately in 1987 and stabilize in 1988 (Table 10).

TABLE 14: **Deflator of private consumption** (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	7,4	7,5	6,2	4,8	1,3	1,5	2,0
DK	10,7	7,2	6,5	5,0	3,6	4,3	4,3
D	5,2	3,2	2,4	2,1	-0,4	0,8	2,0
GR	15,7	17,9	18,4	18,6	22,1	13,5	9,0
E	15,2	12,3	10,7	8,3	9,1	6,0	5,4
F	10,2	9,5	7,2	5,5	2,7	2,7	2,3
IRL	15,0	10,0	7,5	4,2	3,6	3,2	3,5
I	16,1	15,1	11,1	9,4	6,3	4,3	3,7
L	7,4	8,1	6,4	3,3	0,3	1,3	2,6
NL	7,1	2,7	2,5	2,6	-0,0	-0,9	1,2
P	18,3	28,6	33,3	16,7	11,7	9,5	8,0
UK	13,1	5,0	4,8	5,2	3,7	3,9	4,2
EUR	11,1	8,5	7,0	5,7	3,8	3,2	3,3
USA	7,3	3,9	3,8	3,1	2,1	3,5	3,8
JAP	7,8	1,9	2,1	2,2	0,7	0,0	0,5

¹ Forecasts.

Source: Commission services.

Furthermore, the impact of these losses in price competitiveness, in particular the lags involved, will be felt in the export performance. It is assumed in the forecast for exports that, while the loss in price competitiveness was concentrated in 1986, its effects on export performance are spread over a longer period. In fact, the Community's loss in market share implied in the export forecast is still important in 1987 and perceptible in 1988 (loss of market share of approximately 2 % in 1986, 1,5 % in 1987 and 0,5 % in 1988, Tables 9 and 11).

But import volumes to rise further. — Since domestic demand is likely to keep on growing at a reasonable pace, import demand

TABLE 15: **Deflator of gross domestic product** (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	7,0	6,4	5,3	5,1	4,8	2,7	1,8
DK	10,0	8,1	5,7	5,5	4,9	4,9	3,8
D	4,9	3,3	2,0	2,2	3,1	2,0	2,1
GR	16,3	19,1	20,1	17,6	19,0	13,3	8,5
E	15,4	11,6	10,9	8,7	11,3	6,3	5,4
F	10,3	9,5	7,2	5,9	4,6	3,3	2,4
IRL	14,6	11,3	6,3	5,0	5,2	3,9	3,5
I	16,1	14,9	10,8	8,8	8,0	6,0	4,2
L	7,5	7,7	6,3	3,4	6,0	2,9	2,2
NL	7,2	1,9	2,2	2,4	0,1	-0,9	1,3
P	17,4	25,5	26,6	20,9	17,4	9,8	8,4
UK	13,6	5,0	4,1	5,8	3,7	4,5	4,8
EUR	11,1	8,3	6,6	5,9	5,6	4,1	3,5
USA	7,7	3,9	3,8	3,2	2,6	2,8	3,9
JAP	6,8	0,8	1,3	1,7	1,9	0,7	0,9

¹ Forecasts.

Source: Commission services.

should remain buoyant. The growth rate of imports of goods at constant prices for 1987 has been revised downwards by less than one percentage point to 5,8 %; next year import volumes are forecast to grow by 4,6 % (Table 12). The Community is thus seen to maintain a rate of growth of imports that on average is approximately double that of the rate of growth of exports and is thus supporting the adjustment process in the world economy.

Negative volume effects to halve external surplus. — The Community's trade balance (fob/fob) for 1986 rose to a surplus of about ECU 47 bn, because the negative volume effect was more than compensated for by the considerable terms of trade increase which amounted to 7 %. This year the terms of trade will increase moderately and next year they will deteriorate slightly so that the terms of trade effect is outweighed by the much stronger negative volume effects of imports rising significantly faster than exports. The surplus on the trade balance is forecast to decline to ECU 35 bn in 1987 and further to ECU 23 bn in 1988. In all three years the traditional large surplus on trade of services and the usual important deficit in net factor income

TABLE 16: **Compensation of employees per head** (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	11,1	6,0	5,8	4,4	2,4	3,6	2,8
DK	11,3	8,1	5,1	4,4	4,3	7,0	5,2
D	7,5	3,8	3,4	3,0	3,9	3,5	3,5
GR	20,6	20,5	23,5	22,0	13,2	9,9	9,0
E	19,7	14,6	12,9	10,4	8,4	7,4	6,5
F	14,0	10,6	8,1	5,8	4,7	3,6	4,0
IRL	18,6	11,5	11,8	7,4	6,7	6,3	4,9
I	19,2	16,3	11,8	10,0	7,7	8,4	6,1
L	10,3	6,9	7,2	5,3	4,0	4,8	5,0
NL	9,4	3,2	0,4	1,4	2,4	2,0	1,9
P	22,5	19,3	13,9	19,9	18,4	12,8	11,2
UK	15,5	9,1	5,1	7,3	7,3	6,9	6,7
EUR	14,1	9,7	7,3	6,7	6,1	5,7	5,1

¹ Forecasts.

Source: Commission services.

TABLE 17: **Real compensation of employees per head¹** (percentage change on preceding year 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	3,5	-1,4	-0,4	-0,3	1,1	2,1	0,8
DK	0,5	0,9	-1,3	-0,5	0,7	2,6	0,8
D	2,2	0,6	1,0	0,9	4,3	2,7	1,5
GR	4,2	2,2	4,3	2,8	-7,3	-3,2	-0,0
E	3,9	2,0	2,0	1,9	-0,6	1,3	1,0
F	3,4	1,0	0,8	0,4	2,0	0,9	1,7
IRL	3,1	1,3	4,0	3,1	3,0	3,0	1,4
I	2,6	1,0	0,6	0,5	1,3	3,9	2,3
L	2,8	-1,1	0,8	1,9	3,7	3,4	2,3
NL	2,1	0,4	-2,0	-1,2	2,4	2,9	0,7
P	3,5	-7,2	-14,6	2,7	6,0	3,0	3,0
UK	2,2	3,9	0,4	2,0	3,5	2,9	2,3
EUR	2,7	1,1	0,3	0,9	2,2	2,4	1,7

¹ Deflated by private consumption prices.² Forecasts.

Source: Commission services.

TABLE 18: Unit labour costs, whole economy¹ (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	8,1	5,2	4,1	3,7	1,0	2,2	0,8
DK	9,6	6,1	4,1	3,7	3,1	7,8	4,8
D	4,9	0,7	0,8	1,1	2,2	2,6	1,8
GR	17,6	21,3	20,5	20,7	12,0	10,8	8,5
E	14,8	11,5	6,6	6,6	7,5	6,3	4,1
F	11,0	9,4	5,5	4,4	2,2	1,9	1,3
IRL	14,4	11,3	5,5	2,4	4,5	4,3	3,9
I	16,7	16,6	9,1	8,1	5,7	5,9	4,2
L	8,7	3,6	1,7	3,0	2,8	3,8	3,8
NL	7,0	-0,2	-2,3	0,8	1,6	1,0	1,2
P	19,1	22,4	18,5	14,6	13,7	9,5	8,3
UK	13,6	3,8	4,9	4,8	5,4	4,7	4,9
EUR	11,4	7,4	5,0	4,6	4,3	4,1	3,2

¹ Compensation of employees per head divided by labour productivity per head, defined as GDP in volume divided by total employment.

² Forecasts.

Source: Commission services.

will remain very similar in size, resulting in a current account surplus of ECU 47 bn last year (1,1 % of GDP), ECU 30 bn this year (0,7 % of GDP) and ECU 20 bn next year (0,4 % of GDP, Table 13).

Inflation to stabilise at a low rate. — In 1986 consumer price increases stood at 3,8 % which is moderate by historical standards. The forecast is towards a further slight reduction of this rate to 3,2 % in 1987 (Table 14).

The effects of the various revisions of forecasts to the external and domestic environment on inflation have approximately cancelled out at Community level. The forecast for the rise in the deflator of private consumption in 1987 remains unchanged from the previous forecasts, however, the domestic element in this rise has been revised upwards. The stronger increase in the GDP deflator (+ 4,1 % against 3,5 % in the Autumn forecast, Table 15) is accounted for by an upward revision of nominal unit labour costs (from 2,8 % to 4,1 %, Table 18), which is due to both higher nominal per capita wages and lower productivity than expected. It is assumed that labour costs will slow down in 1988, so that consumer price increases will remain approximately stable (+ 3,3 %) despite some pick-up in import prices (+ 2,9 %, Graph 5).

Thus domestic cost pressures remain largely unchanged provided that wage policies continue to be moderate and that the rise of nominal wages in 1988 takes account of the lower rate of consumer price increases in 1987. The rise in compensation of employees per head (6,1 % in 1986) is expected to decline to 5,7 % in 1987 and further to 5,3 % in 1988 (Table 16).

Price convergence among Member States improving further. — Parallel to falling average inflation rates, the convergence among Member States is seen to improve further. In fact, inflation is unlikely to fall any more next year in those countries where it has already been very low or virtually non-existent in the current year. A technical pick-up in some countries is all the more likely. On the other hand, authorities of some countries with still relatively high inflation rates are at present engaged in anti-

TABLE 19: Real Unit labour costs¹ (percentage change on preceding year, 1972-88)

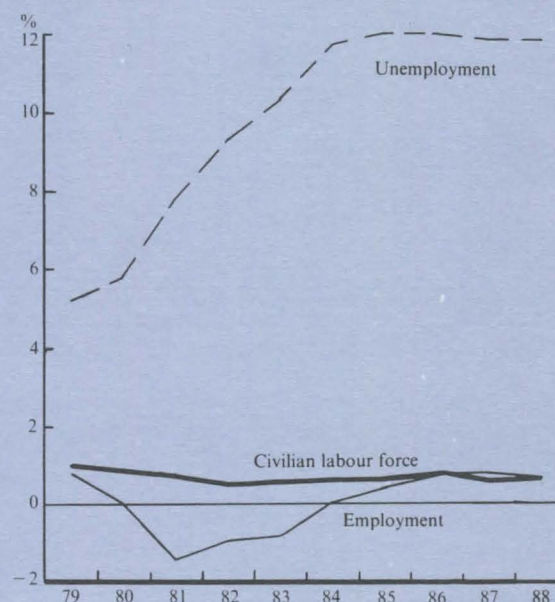
	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	1,0	-1,1	-1,2	-1,4	-3,6	-0,5	-1,0
DK	-0,3	-1,9	-1,5	-1,6	-1,7	2,7	1,0
D	0,0	-2,5	-1,2	-1,1	-0,9	0,6	-0,3
GR	1,1	1,8	0,3	2,6	-5,9	-2,2	-0,1
E	-0,5	-0,1	-3,9	-2,0	-3,5	0,0	-1,2
F	0,6	-0,1	-1,6	-1,4	-2,3	-1,4	-1,0
IRL	-0,2	0,0	-0,7	-2,5	-0,7	0,4	0,3
I	0,6	1,5	-1,5	-0,7	-2,1	-0,1	-0,1
L	1,1	-3,9	-4,3	-0,4	-3,0	0,8	1,6
NL	-0,3	-2,0	-4,4	-1,6	1,5	1,9	-0,1
P	1,5	-2,5	-6,4	-5,2	-3,1	-0,3	-0,1
UK	-0,0	-1,1	0,8	-1,0	1,6	0,2	0,1
EUR	0,3	-0,8	-1,5	-1,2	-1,3	-0,1	-0,3

¹ Real compensation of employees per head (deflated by GDP deflator), divided by labour productivity per head, defined as GDP in volume divided by total employment.

² Forecasts.

Source: Commission services.

GRAPH 6: Labour force, employment and unemployment, EUR 12, annual change in % except unemployment rate



Source: Commission services.

inflationary programmes, e.g. Greece, Spain and Portugal, where inflation is expected to ease significantly. As to the other nine countries, the highest rate of increase of consumer prices in 1987 is forecast at 4,3 %.

Real unit labour costs to stabilise. — The nominal wage increases mentioned above imply a rise of real wages per head by 2,2 % in 1986 and by 2,4 % in 1987 (Table 17). Next year the latter will increase less strongly due to the assumed wage constraint in combination with the stabilisation of the consumer price inflation rate. Real unit labour costs fell by 1,3 % in 1986 and remain practically unchanged in 1987. This is the first time that real unit labour costs do not follow the downward trend occurring since 1981. For 1988 real unit labour costs are expected to decline marginally by 0,3 % (Table 19). In other words, the process of readjusting the distribution of income in favour of non-labour income may be expected to slow down from 1987 onwards.

Unemployment to remain high. — Total employment in the Community in 1986 increased by 0,8 % (Table 20) and was slightly outpaced by the growth in the civilian labour force of 0,9 %. The decline of the number of jobs in the Community has come to an end since 1984. The recovery in employment will continue during 1987 and 1988 by about 0,5 % per annum and this

TABLE 20: Total employment (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-0,2	-1,0	0,0	0,7	0,7	-0,1	0,1
DK	0,5	0,1	2,4	3,1	2,1	0,4	0,2
D	-0,4	-1,5	0,1	0,7	1,0	0,6	0,3
GR	1,0	1,0	0,3	1,0	0,3	0,1	0,0
E	-1,2	-0,9	-3,9	-1,3	2,1	1,7	0,7
F	0,3	-0,4	-0,9	-0,3	-0,0	-0,3	-0,2
IRL	0,8	-2,1	-1,6	-2,7	-1,5	-0,8	0,6
I	0,5	0,1	0,4	0,5	0,8	0,6	1,0
L	0,8	-0,1	0,0	0,6	2,0	0,8	0,5
NL	-0,2	-1,9	-0,4	1,1	1,4	0,6	0,3
P	1,6	1,1	1,1	-0,5	0,2	0,4	0,3
UK	-0,2	-1,2	2,0	1,3	0,6	1,0	0,9
EUR	-0,0	-0,7	0,0	0,5	0,8	0,6	0,5
USA	1,9	0,7	4,4	2,0	2,3	2,3	1,6
JAP	0,8	1,7	0,5	1,5	1,0	0,7	0,9

¹ Forecasts.

Source: Commission services.

TABLE 21: **Employment in manufacturing industries** (percentage change on preceding year, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-3,0	-2,1	-1,1	-1,4	-0,6	-0,5	-0,5
DK	-1,2	0,2	2,1	6,8	1,8	-0,4	-0,3
D	-1,5	-4,0	-1,0	1,1	1,7	-0,5	-0,5
GR	—	-1,3	0,2	-0,6	0,0	0,0	0,0
E	—	-2,1	-2,6	-2,1	1,7	2,1	1,2
F	-0,7	-2,3	-2,9	-2,9	-2,2	-2,7	-2,4
IRL	0,9	-5,6	-3,6	-3,3	-1,0	-0,6	0,5
I	-0,1	-2,9	-3,6	-2,0	-0,9	-0,7	-0,1
L	-1,3	-3,5	-1,8	-0,3	1,3	-0,5	0,0
NL	-2,5	-4,7	-2,0	1,5	1,4	0,4	0,2
P	—	—	—	-0,5	0,0	0,1	0,0
UK	-2,8	-5,5	-1,9	-0,7	-1,8	-1,2	-0,4
EUR	-1,5 ²	-3,6	-2,1	-0,7	-0,1	-0,6	-0,4

¹ Forecasts.² EUR-9

Source: Commission services.

growth will be slightly higher than the increase in the labour force (Graph 7). As a result unemployment will decline marginally from 12,0 % of the labour force in 1986, to 11,8 % in 1987 and will stagnate at this level in 1988. The corresponding number of unemployed will amount to about 16 million in 1987. Employment in manufacturing, which in the Autumn forecast was expected to rise for the first time after several years of decline, did not grow in 1986 and is expected to decrease somewhat in 1987 and 1988 (Table 21).

The trend in unemployment is reflected to different degrees in Member States. Unemployment is forecast to rise slightly in Denmark, Greece and in France. On the other hand the development is likely to be more favourable in countries with high rates of unemployment such as Spain, Ireland, Italy and the United Kingdom where unemployment is expected to decrease (Table 22).

TABLE 22: **Number of unemployed as percentage of civilian labour force** (1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	7,0	14,3	14,4	13,7	12,7	12,8	12,8
DK	5,3	10,1	9,9	8,8	7,6	8,0	8,6
D	3,5	8,4	8,4	8,4	8,1	7,9	8,0
GR	—	7,8	8,1	7,8	7,4	8,0	8,7
E	—	17,7	20,6	22,0	21,5	21,3	21,3
F	4,8	8,9	10,0	11,0	11,5	11,6	12,2
IRL	8,2	14,9	16,6	17,8	18,3	18,7	18,3
I	6,3	10,9	11,9	12,9	13,0	13,0	12,6
L	0,5	1,6	1,8	1,6	1,4	1,3	1,2
NL	5,8	14,3	14,5	13,1	12,1	11,4	11,1
P	—	—	8,5	8,7	8,6	8,5	8,5
UK	5,2	11,6	11,8	12,0	12,1	11,3	10,8
EUR-12	—	—	11,7	12,1	12,0	11,8	11,8
EUR-9	5,1	10,1	10,6	11,2	11,2	11,0	10,9
USA	6,9	9,6	7,5	7,2	7,0	6,7	6,8
JAP	1,9	2,7	2,7	2,6	2,8	3,2	3,3

¹ Forecasts.

Source: Commission services.

Slow improvement in government finances. — The outlook for government finances in 1987 has changed in line with the prospects for less buoyant economic activity. While government receipts are now estimated to grow approximately as forecast in Autumn 1986 (i.e. about 6 %), the increase of expenditure in 1987 is likely to turn out higher than earlier assumed by about 1 percentage point (5,5 %). This implies that the borrowing requirement of general government in 1987 has to be revised upwards by 0,6 points to 4,7 % of GDP and to be estimated at 4,4 % of GDP in 1988 (Table 23). This compares with a net borrowing requirement of general government in the Community of 5,6 % of GDP in 1982.

Receipts from indirect taxes are likely to rise by more than those from direct taxes. Indirect taxes rose by 9 % in 1986 and will continue to rise by 6 % this year and next, direct taxes increased by 7 % in 1986 and will continue to increase by 6 % this year and by 5 % next year. This shift reflects policies aimed at correcting the trend of a rising share of income taxes in relation to GDP.

On the Community level, the share of government expenditure in GDP, which had reached a record level in 1984 (50,4 %, Table 24), is likely to decline further from 48,5 % in 1986 to 47,6 % in 1988. The increase in government receipts in 1986 remained about 1 percent point below the growth of nominal GDP. In 1987 and 1988 this rate of increase will decelerate only slightly and remain about 0,5 percent below nominal GDP growth. The rate of increase in expenditure by general government is expected to continue the trend of 1986 and to remain 1 percent point below the rate of increase in nominal GDP.

The reduction in deficits should be concentrated in those countries, where deficits are particularly high; some of which are experiencing difficulties in maintaining the momentum of consolidating their budgets. On the other hand the adjustment of budgetary policies is progressing in Spain, Belgium, and Ireland. The fall in government revenues is particularly affecting the Netherlands as lower energy prices continue to make themselves felt in the proceeds to government from natural gas.

Given the size of net borrowing, government debt continues to rise at Community level to above 60 % of GDP in 1987 and to

TABLE 23: **General government lending or borrowing (-) as percentage of GDP** (EC countries, EC, USA, JAP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	-6,2	-11,7	-9,8	-8,4	-8,7	-6,5	-6,3
DK	-0,7	-7,2	-4,2	-1,8	3,4	2,4	2,8
D	-2,3	-2,5	-1,9	-1,1	-1,2	-1,7	-2,1
GR	—	-8,9	-10,1	-13,7	-10,3	-9,4	-10,3
E	-1,2	-5,6	-5,0	-6,3	-6,0	-5,4	-5,0
F	-0,6	-3,1	-2,9	-2,6	-2,9	-2,8	-2,5
IRL	—	-11,8	-9,7	-11,6	-10,7	-9,0	-7,8
I	-9,0	-11,7	-13,0	-12,3	-11,3	-10,4	-9,3
L	1,4	-0,6	1,5	4,4	3,9	2,4	2,0
NL	-2,6	-6,5	-6,3	-5,1	-6,0	-6,6	-6,0
P	—	-7,1	-7,7	-10,5	-8,5	-9,0	-9,1
UK	-3,0	-3,7	-4,2	-2,8	-3,2	-2,4	-2,2
EUR	-3,2 ²	-5,5	-5,4	-5,1	-5,0	-4,7	-4,4
USA	-1,3	-3,8	-2,9	-3,5	-3,2	-2,8	-2,1
JAP	-2,5	-3,7	-2,2	-1,2	-1,5	-1,5	-1,3

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 24: **Total public expenditure** (as percentage of GDP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B	48,9	57,5	56,8	56,2	54,4	52,6	52,1
DK	50,6	61,6	60,9	59,3	55,1	56,0	56,8
D	46,8	48,4	48,1	47,2	46,6	46,8	46,8
GR	—	41,8	44,3	48,2	46,3	48,3	47,9
E	28,4	38,8	39,3	41,1	41,7	41,3	41,3
F	44,1	52,0	52,7	52,4	51,8	51,5	51,0
IRL	—	54,5	52,9	54,7	54,0	53,2	52,1
I	44,2	57,1	57,4	50,8	50,5	49,5	48,9
L	48,2	57,6	53,4	52,1	50,2	50,0	49,9
NL	52,9	62,0	61,0	60,1	59,8	59,7	58,9
P	—	41,0	39,6	40,1	41,7	42,5	42,8
UK	42,1	45,2	45,9	44,8	44,2	43,0	42,0
EUR	43,7 ²	50,2	50,4	49,0	48,5	48,0	47,6

¹ Forecasts.² EUR-9.

Source: Commission services.

TABLE 25: **Public debt** (as percentage of GDP, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B	69,5	105,1	111,0	117,1	120,8	124,9	128,5
DK	22,2	62,6	67,6	65,8	59,8	57,9	54,7
D	27,9	41,7	42,0	42,5	42,2	43,5	44,8
GR	—	41,6	49,9	57,9	55,1	59,3	65,0
E	15,6	33,0	39,8	45,1	46,5	49,0	51,2
F	25,9	30,7	32,9	34,9	37,0	38,9	40,3
IRL	79,9 ³	108,5	114,8	118,2	133,2	140,0	145,0
I	60,1	75,0	80,6	85,0	88,5	92,3	96,5
L	16,8	14,8	14,7	14,2	14,2	14,4	14,7
NL	44,4	61,9	66,4	70,1	72,8	79,0	83,1
P	—	56,2	61,2	64,8	67,0	72,7	78,7
UK	57,8	57,5	59,2	57,7	58,0	56,7	55,7
EUR	40,4 ⁴	51,4	54,8	56,9	58,3	60,4	62,3

¹ Gross public debt. DK, F, I, NL: General Government; B, D, NL: General Government excl. social security; GR, IRL: State; I: public sector. End-of-year figures.² Forecasts.³ 1974-82.⁴ EUR-9.

Source: Commission services.

TABLE 26: Demand components at constant prices (percentage change on preceding year, EC countries, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ¹	1988 ¹
B³							
Private consumption	3.0	-1.6	1.2	1.5	3.1	1.5	1.5
Government consumption	3.2	0.0	0.6	1.4	0.2	-1.7	-0.5
Fixed capital formation	0.3	-4.2	2.1	1.2	5.3	4.9	4.0
— Construction	-1.3	-6.3	-5.9	-0.5	2.1	1.8	2.4
— Equipment	2.2	-2.8	13.4	3.1	9.5	8.8	6.0
Exports of goods and services	4.9	3.0	4.5	2.1	4.6	3.3	4.0
Imports of goods and services	4.5	-0.3	4.9	1.7	6.3	3.9	3.4
GDP	2.6	-0.3	1.7	1.5	2.2	1.2	2.1
DK³							
Private consumption	1.2	2.0	2.7	4.3	4.2	-0.4	0.3
Government consumption	4.0	-0.8	-0.7	1.7	-0.7	2.2	1.3
Fixed capital formation	-2.2	0.9	11.0	14.6	16.8	-4.1	-5.9
— Construction	-4.2	1.9	6.7	9.9	19.4	-7.0	-4.5
— Equipment	1.9	2.3	13.9	16.3	13.9	-0.7	-7.5
Exports of goods and services	4.4	3.7	4.1	3.6	0.2	0.8	2.7
Imports of goods and services	1.8	0.5	6.0	7.8	6.5	-2.0	-2.3
GDP	2.0	2.0	3.4	3.8	3.4	-0.2	0.5
D³							
Private consumption	2.6	1.6	1.9	1.9	4.2	3.3	2.9
Government consumption	1.9	0.1	1.1	1.7	2.5	2.5	2.3
Fixed capital formation	-0.2	3.2	0.8	-0.3	3.3	2.6	3.1
— Construction	-0.6	1.8	1.5	-6.2	2.3	2.9	2.4
— Equipment	0.6	5.6	-0.2	10.0	4.6	2.2	4.0
Exports of goods and services	5.3	-0.9	8.0	7.8	-0.8	-1.0	1.0
Imports of goods and services	3.6	1.8	5.3	4.6	2.7	3.9	3.8
GDP	2.1	1.5	2.7	2.6	2.5	1.5	2.0
GR²							
Private consumption	3.8	1.0	1.7	2.9	1.0	-1.4	-0.4
Government consumption	6.0	2.7	3.9	2.3	0.0	4.8	1.0
Fixed capital formation	0.4	-1.3	-6.3	3.4	-4.8	-3.1	0.8
— Construction	-1.8	3.9	-7.7	3.0	-3.4	-4.8	0.0
— Equipment	3.7	-8.2	-0.9	7.6	-6.5	-1.0	1.8
Exports of goods and services	7.2	8.0	16.9	1.3	16.2	3.5	4.0
Imports of goods and services	5.7	6.6	0.2	12.8	3.8	0.0	1.0
GDP	3.6	0.4	2.8	2.1	1.3	-0.7	0.6
E³							
Private consumption	3.1	0.3	-0.5	1.8	3.9	3.5	3.1
Government consumption	5.1	3.9	2.9	4.4	4.0	3.0	3.0
Fixed capital formation	1.8	-2.5	-5.1	3.9	12.0	10.0	7.0
— Construction	—	—	—	—	7.0	6.5	5.4
— Equipment	—	—	—	—	20.2	15.0	9.3
Exports of goods and services	6.3	10.1	11.1	2.9	-1.1	2.6	4.2
Imports of goods and services	5.8	-0.6	-1.0	5.4	15.9	13.3	8.2
GDP	3.0	1.8	1.9	2.2	3.0	2.8	3.0
F²							
Private consumption	3.7	0.9	0.8	2.3	2.9	1.8	1.9
Government consumption	2.9	1.5	1.1	1.4	1.9	2.1	1.0
Fixed capital formation	2.0	-2.3	-1.3	3.4	3.7	4.0	4.8
— Construction	0.0	-3.5	-4.1	-0.6	1.0	1.7	3.3
— Equipment	4.1	-0.8	2.1	6.8	5.0	5.0	5.4
Exports of goods and services	7.1	4.2	7.6	1.7	0.5	2.6	4.5
Imports of goods and services	8.0	-0.6	3.5	5.0	6.9	4.2	4.3
GDP	3.0	0.7	1.5	1.1	2.4	1.5	2.4
IRL³							
Private consumption	2.9	-1.7	-0.5	1.6	1.8	1.3	1.5
Government consumption	5.3	0.4	0.1	0.8	2.0	-1.9	-1.6
Fixed capital formation	4.8	-9.5	-2.7	-0.4	-3.4	-0.1	1.7
— Construction	4.0	-12.2	-13.5	-7.5	-4.8	-4.5	-3.5
— Equipment	5.8	-5.0	9.2	5.5	-2.5	3.0	5.0
Exports of goods and services	7.0	10.5	16.4	6.7	0.8	4.0	4.7
Imports of goods and services	5.3	4.7	9.9	2.8	1.0	3.2	4.0
GDP	4.4	-1.9	4.2	2.0	0.5	1.1	1.6
I³							
Private consumption	2.6	-0.5	2.1	2.0	3.2	4.2	3.9
Government consumption	2.8	2.5	2.4	2.6	3.0	2.8	2.8
Fixed capital formation	0.9	-3.8	6.2	4.1	1.2	4.3	3.1
— Construction	-0.1	-2.0	-0.4	-1.7	-0.7	2.1	2.4
— Equipment	2.8	-5.7	15.1	11.4	3.1	6.5	3.8
Exports of goods and services	6.0	3.6	5.8	7.6	3.1	2.3	4.1
Imports of goods and services	4.6	-0.4	9.3	9.3	5.1	7.0	6.0
GDP	2.7	-0.2	2.8	2.3	2.7	3.2	2.8
L³							
Private consumption	3.3	0.8	0.8	2.5	3.3	4.0	2.5
Government consumption	3.2	2.2	0.4	2.5	1.3	1.1	0.8
Fixed capital formation	0.9	-8.3	-1.3	2.1	4.1	2.3	1.8
— Construction	1.5	—	—	—	3.2	2.0	1.6
— Equipment	-0.2	—	—	—	6.0	3.0	2.2
Exports of goods and services	2.3	5.0	17.3	7.8	2.3	1.4	1.9
Imports of goods and services	2.2	1.8	13.1	5.8	3.8	2.7	2.4
GDP	2.4	3.2	5.5	2.9	2.3	2.0	1.6
NL³							
Private consumption	2.5	0.9	-0.4	1.6	3.3	2.8	1.2
Government consumption	2.3	1.2	-0.7	1.1	0.8	-0.8	-0.5
Fixed capital formation	-1.4	2.1	4.3	3.7	8.1	3.3	2.1
— Construction	-2.4	-3.4	2.9	-3.6	7.4	2.6	0.6
— Equipment	0.5	10.1	8.3	14.1	9.0	4.2	3.9
Exports of goods and services	3.8	3.5	7.0	4.6	2.3	2.0	3.3
Imports of goods and services	2.7	3.9	5.5	5.7	4.3	4.3	3.0
GDP	2.1	1.4	2.4	1.7	2.1	1.7	1.1
P⁴							
Private consumption	2.8	-3.3	-6.4	3.0	6.8	5.6	4.0
Government consumption	7.1	2.8	3.4	3.8	2.0	2.0	2.0
Fixed capital formation	6.7	-8.3	-19.0	-2.3	9.5	9.9	8.7
— Construction	—	—	—	—	4.0	6.2	6.3
— Equipment	—	—	—	—	16.0	13.8	11.0
Exports of goods and services	5.4	14.0	15.0	9.5	7.4	4.4	5.4
Imports of goods and services	4.9	-7.3	-3.7	2.1	17.0	10.5	8.3
GDP	4.4	-1.4	-2.8	4.1	4.3	3.4	3.0
UK³							
Private consumption	1.7	4.0	2.1	3.5	4.7	3.8	3.2
Government consumption	2.0	1.9	0.8	0.5	1.2	1.5	1.0
Fixed capital formation	-0.3	5.7	9.1	1.8	0.6	3.8	3.4
— Construction	-1.8	6.6	8.5	-3.3	3.9	4.3	3.4
— Equipment	1.1	4.6	10.2	7.8	-3.1	3.2	3.4
Exports of goods and services	3.2	2.2	6.6	6.1	3.0	5.3	3.9
Imports of goods and services	2.9	5.5	9.0	2.9	5.8	6.7	4.7
GDP	1.5	3.8	2.1	3.7	2.4	3.1	2.6

¹ Forecasts.² 1970 prices.³ 1980 prices.⁴ 1985 prices.

Source: Commission services.

TABLE 27: Contributions to real GDP growth¹ (EC countries and EC, 1972-88)

	1972-82	1983	1984	1985	1986	1987 ²	1988 ²
B							
Final domestic demand	2.6	-1.8	1.2	1.4	2.9	1.5	1.6
Stockbuilding	-0.1	-0.7	0.6	-0.2	0.3	0.1	0.0
Foreign balance	0.1	2.1	0.0	0.3	-0.9	-0.3	0.5
DK							
Final domestic demand	1.3	1.0	3.0	5.2	5.1	-0.5	-0.7
Stockbuilding	0.0	-0.1	1.0	-0.1	0.5	-0.7	-0.6
Foreign balance	0.7	1.2	-0.5	-1.3	-2.2	1.0	1.8
D							
Final domestic demand	1.8	1.7	1.5	1.3	3.5	2.8	2.7
Stockbuilding	-0.1	0.6	0.3	0.1	0.0	0.0	0.0
Foreign balance	0.4	-0.7	0.9	1.1	-1.0	-1.4	-0.8
GR							
Final domestic demand	3.7	0.9	0.5	3.0	0.0	-0.7	0.0
Stockbuilding	0.1	-1.3	1.2	-0.5	-0.3	-0.6	0.1
Foreign balance	-0.4	-0.5	3.3	-3.6	1.6	0.6	0.5
E							
Final domestic demand	3.1	0.2	-1.0	2.5	5.4	4.9	4.1
Stockbuilding	-0.1	-0.3	0.5	0.1	0.4	0.0	-0.1
Foreign balance	0.0	1.9	2.3	-0.3	-2.9	-2.1	-1.0
F							
Final domestic demand	3.2	0.3	0.4	2.4	2.9	2.3	2.4
Stockbuilding	0.0	-0.8	0.1	-0.5	1.1	-0.3	0.0
Foreign balance	-0.3	1.1	0.9	-0.8	-1.7	-0.5	0.0
IRL							
Final domestic demand	4.3	-3.6	-1.0	1.0	0.6	0.4	0.9
Stockbuilding	0.2	-0.9	2.1	-1.4	0.1	0.2	0.1
Foreign balance	0.0	2.6	3.1	2.4	-0.1	0.5	0.5
I							
Final domestic demand	2.3	-0.6	2.8	2.5	2.7	4.0	3.6
Stockbuilding	0.1	-0.6	0.6	0.0	0.6	0.4	-0.2
Foreign balance	0.2	1.0	-0.9	-0.5	-0.5	-1.2	-0.6
L							
Final domestic demand	2.6	-1.2	0.2	2.2	2.9	2.9	2.0
Stockbuilding	-0.3	1.7	1.4	-1.5	0.7	0.2	0.1
Foreign balance	0.2	2.7	3.8	2.1	-1.3	-1.1	-0.4
NL							
Final domestic demand	1.6	1.1	0.5	1.8	3.6	2.2	1.1
Stockbuilding	-0.1	0.4	1.0	0.3	-0.5	0.8	-0.2
Foreign balance	0.5	-0.1	1.0	-0.4	-1.0	-1.3	0.2
P							
Final domestic demand	5.0	-4.3	-9.0	2.0	6.9	6.4	5.2
Stockbuilding	0.3	-4.4	-0.4	-0.6	1.7	0.2	-0.3
Foreign balance	-0.6	7.3	6.5	2.8	-4.3	-3.2	-2.0
UK							
Final domestic demand	1.4	3.8	3.0	2.5	3.2	3.3	2.8
Stockbuilding	0.0	0.8	-0.3	0.3	0.0	0.1	0.0
Foreign balance	0.1	-0.8	-0.6	0.9	-0.8	-0.4	-0.3
EUR							
Final domestic demand	2.3	1.0	1.3	2.2	3.3	3.1	2.8
Stockbuilding	0.0	-0.1	0.3	0.0	0.4	0.1	-0.1
Foreign balance	0.1	0.5	0.6	0.1	-1.2	-1.0	-0.4

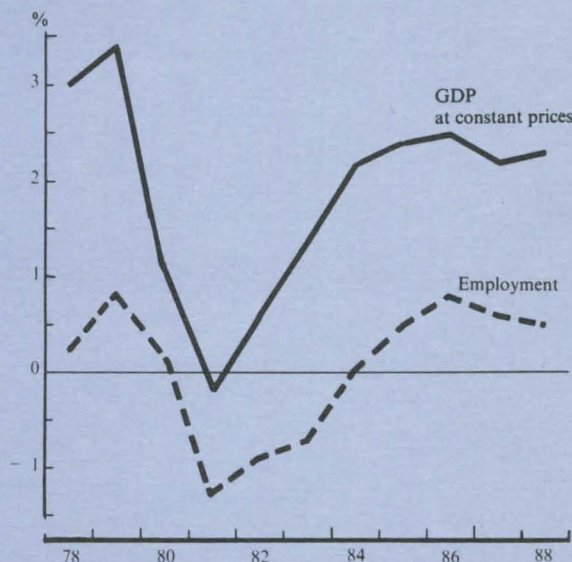
¹ Change as percentage of GDP of preceding period.² Forecasts.

Source: Commission services.

62.3 % of GDP in 1988 (Table 25). While a few countries manage to reduce and to stabilize the debt level in the forecast period (Denmark, the United Kingdom, Luxembourg) others are faced with a rising public debt, in some cases exceeding one year's GDP.

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GRAPH 7: GDP and employment growth in the Community, EUR 12, annual percentage growth rate



Source: Commission services.

TABLE A.1: Industrial production (a) — Percentage change on preceding period (s.a.)

	1982	1983	1984	1985	1986	1985	1986				1986					1987		Change over 12 months % (b)
						IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
B	0	2.0	2.5	2.5	1.6	2.0	-0.1	-1.3	1.7	-0.5	-3.5	-1.5	2.4	1.0	-3.8	:	:	-1.5
DK	2.7	3.2	9.7	4.2	4.2	1.8	-1.9	4.6	-3.4	0.9	-2.4	3.9	2.3	-7.4	6.2	-8.8	4.8	-2.5
D	-2.9	0.6	3.0	5.7	2.1	0.8	-0.1	0.7	0.6	-1.0	-1.3	-0.7	0.7	-1.0	-1.2	-1.5	1.9	0.5
GR	1.1	-0.1	1.6	3.4	0.3	2.3	-5.0	5.1	-2.1	-0.4	-10.5	1.2	2.3	0.9	-0.6	1.6	:	4.9
E	-1.1	2.7	0.8	2.0	3.0	2.7	-3.1	5.5	-2.0	2.0	-7.3	5.6	3.7	-3.4	-1.5	-2.0	5.3	4.8
F	-0.5	0	2.0	1.0	1.0	0.3	-1.6	1.3	1.3	-1.3	0	0	0	-1.9	0	-2.0	3.0	1.0
IRL	-0.9	6.6	12.4	2.3	2.7	3.3	1.1	-0.4	0	3.7	6.9	1.3	1.8	-0.8	-2.0	-2.1	:	-0.4
I	-3.0	-3.2	3.4	1.2	2.8	0.5	1.6	1.1	-0.5	1.6	-1.6	0.6	1.4	0.0	1.0	-0.9	-0.3	1.0
L	0.9	5.4	13.3	6.9	2.8	4.4	1.8	-0.8	-2.1	-0.6	-1.4	-0.2	-0.5	5.3	-8.7	:	:	-7.8
NL	-4.1	3.2	4.1	4.0	1.0	2.6	1.9	-2.5	2.6	-1.6	0	2.8	-3.7	1.9	-2.8	5.8	-0.9	-2.5
P	4.6	1.6	-0.1	10.9	4.7	1.3	-2.7	6.6	2.9	-2.1	-2.9	4.3	-3.4	-1.1	0.9	:	:	5.2
UK	1.9	3.6	1.3	4.7	1.8	0.2	0.6	0.2	1.4	0.1	0.7	-0.4	0.3	0.2	-0.6	0.3	1.6	1.3
EUR 12	-1.2	0.9	2.2	3.4	(2.0)	0.6	-0.3	1.9	-0.4	0.6	-2.9	2.5	0.7	-1.1	-0.1	(1.7)	(2.1)	(1.2)
USA	-7.4	7.8	12.3	2.1	2.1	0.5	0.8	0	0.8	(0.8)	0.3	0	0.3	0.2	(0.7)	(-0.2)	(0.7)	(2.5)
JAP	0.3	3.6	11.1	4.6	-0.3	-0.9	0.2	0.2	-0.5	-0.7	-2.7	3.4	-1.9	-1.7	3.6	-0.5	-0.2	0.0

TABLE A.2: Unemployment rate — Number of unemployed as percentage of civilian labour force (s.a.)

	1982	1983	1984	1985	1986	1986				1987	1986				1987			Change over 12 months % (b)
						I	II	III	IV	IV	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B (f)	13.0	14.3	14.4	13.6	12.6	12.7	12.6	12.3	12.5	12.4	12.3	12.5	12.4	12.6	12.5	12.4	12.4	-1.9
DK	9.3	10.1	9.9	8.7	(7.6)	7.8	7.4	7.5	7.3	7.5	7.3	6.9	7.4	7.5	(7.7)	(7.4)	(7.3)	(-5.7)
D	6.9	8.4	8.4	8.4	8.1	8.4	8.2	8.0	7.8	8.0	8.0	7.9	7.8	7.8	7.9	7.9	8.1	-1.4
GR	1.4	1.6	1.8	2.2	2.8	2.7	2.8	2.8	2.7	2.8	2.8	2.7	2.7	2.8	2.7	3.0	2.8	1.6
E	14.3	16.6	18.6	19.7	20.3	20.1	20.1	20.1	20.6	21.0	20.2	20.4	20.7	20.8	20.9	21.0	21.1	6.2
F	8.7	8.9	10.0	10.5	10.7	10.5	10.7	10.8	10.9	11.2	10.9	10.8	10.9	11.0	11.1	11.2	11.4	8.5
IRL	12.3	14.9	16.6	18.0	18.6	18.2	18.3	18.6	18.9	19.2	18.6	18.7	18.9	19.2	19.2	19.2	19.2	5.1
I	9.7	10.9	11.9	12.9	13.8	13.5	13.8	13.9	14.0	14.1	14.0	14.0	13.8	14.1	14.0	14.2	14.2	5.5
L	1.3	1.6	1.8	1.7	1.5	1.5	1.5	1.4	1.4	1.6	1.4	1.3	1.4	1.5	1.5	1.6	1.8	23.0
NL (f)	(11.8)	(14.3)	14.5	13.3	12.4	12.7	12.4	12.3	12.1	12.1	12.2	12.2	12.0	12.0	12.0	12.1	12.1	-4.5
P	5.7	5.6	6.8	7.7	8.3	8.2	8.3	8.3	8.3	8.3	8.3	8.4	8.1	8.3	8.5	8.3	8.0	-3.4
UK	(10.6)	(11.6)	11.8	12.0	12.0	12.0	12.1	12.0	11.8	11.5	11.9	11.8	11.8	11.8	11.6	11.5	11.4	-5.4
EUR 12	(9.4)	(10.6)	11.2	11.6	(11.7)	11.7	11.7	11.7	(11.7)	11.8	11.7	11.7	11.7	11.8	(11.8)	(11.8)	(11.9)	(1.8)
USA	9.7	9.6	7.5	7.2	7.0	7.1	7.1	6.9	6.8	6.7	7.0	6.9	6.9	6.7	6.7	6.7	6.6	-6.3
JAP (g)	2.4	2.7	2.7	2.6	2.8	2.7	2.8	2.9	2.8	:	2.8	2.7	2.8	2.9	3.0	2.9	:	13.5

TABLE A.3: Consumer price index — Percentage change on preceding period

	1982	1983	1984	1985	1986	1986				1987	1986				1987			Change over 12 months % (b)
						I	II	III	IV	IV	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	
B	8.7	7.7	6.3	4.9	1.3	0.2	0.1	0.2	0.1	0.6	0.3	-0.1	-0.1	0.1	0.4	0.2	0.1	1.3
DK	10.1	6.9	6.3	4.7	3.6	-0.1	3.3	0.1	1.0	0.5	0.8	0.2	0.3	-0.1	0.2	-0.1	(0.9)	(5.3)
D	5.3	3.3	2.4	2.2	-0.2	0	-0.3	-0.5	-0.3	0.6	0.2	-0.3	-0.1	0.2	0.4	0.1	0.0	-0.2
GR	21.0	20.5	18.3	19.4	23.1	6.0	4.3	2.0	5.9	3.2	3.8	2.6	0.7	0.9	1.1	0.4	3.2	16.8
E	14.4	12.2	11.2	8.8	8.8	3.9	1.1	2.3	1.2	1.4	1.1	0.4	-0.2	0.5	0.7	0.4	0.6	6.2
F	11.8	9.6	7.3	5.9	2.7	0.1	0.7	0.6	0.7	1.2	0.4	0.2	0.1	0.1	0.9	0.2	0.2	3.4
IRL (h)	17.2	10.4	8.6	5.4	3.8	1.6	1.2	0.2	0.2	1.8	(0.1)	(0.1)	(0.1)	(0.6)	(0.6)	(0.6)	:	3.4
I	16.5	14.7	10.8	9.2	5.8	1.6	1.0	0.6	1.2	1.4	0.3	0.4	0.5	0.3	0.6	0.4	(0.4)	(4.2)
L	9.4	8.7	5.6	4.2	0.3	-0.4	-0.6	-0.3	0.2	0.2	0.3	0.1	0	-0.1	0.2	0.2	0.0	0.0
NL	5.7	2.7	3.2	2.3	0.3	-0.4	0.4	0.9	1.0	-1.3	0.4	0.7	0.1	-0.2	-1.4	0.2	(0.2)	(-0.7)
P	22.7	25.1	28.9	19.6	11.8	4.9	2.3	0.8	2.4	3.8	0.4	0.7	0.9	1.7	1.2	1.0	1.4	9.8
UK	8.6	4.6	5.0	6.1	3.4	0.7	1.3	0.1	1.3	1.2	0.5	0.2	0.8	0.3	0.4	0.4	0.2	4.0
EUR 12	10.7	8.6	7.4	6.1	3.6	1.0	0.8	0.4	0.8	1.0	0.5	0.2	0.2	0.3	0.5	0.3	(0.3)	(3.1)
USA	6.2	3.2	4.3	3.6	1.9	0.2	-0.2	0.7	0.6	1.1	0.5	0.1	0.1	0.1	0.6	0.4	0.4	3.0
JAP	2.9	1.8	2.4	2.0	0.7	0.1	0.2	-0.5	-0.1	-0.7	0.5	0.1	-0.5	-0.2	-0.4	0	0.2	-0.8

TABLE A.4: Visible trade balance — fob/cif, million ECU (s.a.)

						1985					1986					1986					1987		Change over 12 months % (b)
	1982	1983	1984	1985	1986	IV	I	II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.						
B/L	-3082	-2435	-4897	-3514	146	-811	-304	-312	-52	930	-297	-396	690	157	83	-8	-173	-241					
DK	-1866	-740	-1108	-1538	-1714	-473	-450	-576	-579	-226	-130	-164	-109	-67	-49	32	-26	203					
D	21599	18501	24136	32963	53041	9403	10809	13308	14718	14502	4679	4777	4506	4788	5208	(4467)	5224	1934					
GR	-5826	-5800	-6048	-7266	-5809	-1590	-1938	-1452	-1631	-1126	-553	-563	-675	-528	78	-385	:	170					
E (i)	:	:	-6773	-5582	-6306	-978	-1113	-1434	-1757	-2001	-516	-695	-777	-664	-560	-329	:	1					
F	-24457	-15628	-13130	-13428	-9699	-3040	-2259	-3563	-2583	-1819	-645	-1100	-862	-621	-336	-744	-691	106					
IRL	-1574	-621	81	430	983	28	318	134	242	262	173	34	29	148	86	178	111	57					
I	-12513	-8516	-13849	-16130	-2459	-4105	-2849	-149	502	473	1000	-214	-120	188	405	-291	-621	40					
NL	3500	4499	4740	3874	4161	1085	1185	1531	1554	206	483	413	228	63	-85	-158	-289	-1098					
P	:	:	-3465	-2585	-1217	-603	-366	-334	-329	-271	-116	-123	-99	-11	-160	-166	-269	-226					
UK	-3295	-9681	-14005	-11540	-19868	-2493	-3385	-3904	-5756	-6180	-2268	-2043	-1908	-2211	-2061	-1409	-1108	43					
EUR 12 (i)	:	:	-32258	-24444	11161	-3708	974	3204	2707	4275	1335	-346	593	1378	2305	1293	(1165)	(505)					
USA (i)	-43435	-77911	-154992	-194856	-169039	-47815	-41188	-42412	-44291	-41331	-13741	-14337	-14143	-14998	-12189	-11035	-13333	-1077					
JAP	7034	23072	42599	60497	84010	17299	16828	20300	23688	21839	8241	7943	7141	7806	6892	8103	7283	2678					

TABLE A.6: Short-term interest rates (m)

	1982	1983	1984	1985	1986	1986				1987				1986				1987				Change over 12 months % (e)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
B	14.1	10.5	11.5	9.6	8.0	9.3	7.3	7.3	7.5	7.4	7.4	7.4	7.5	7.8	7.7	7.4	7.3	-0.7				
DK	16.4	12.1	11.5	10.0	9.1	9.1	9.1	9.2	9.2	10.7	9.2	9.2	9.2	11.0	11.0	10.7	10.0	0.8				
D	8.8	5.8	6.0	5.4	4.6	4.6	4.6	4.6	4.8	4.0	4.7	4.7	4.8	4.1	4.0	4.0	3.9	-0.7				
GR	20.2	19.4	15.7	17.1	19.9	21.8	22.1	15.8	18.9	23.3	17.0	20.8	18.9	14.4	19.4	23.3	16.6	5.2				
E	16.3	20.1	14.9	12.2	11.6	11.8	12.5	11.5	12.1	16.2	11.5	11.5	12.1	12.5	12.5	16.2	20.6	8.8				
F	14.6	12.5	11.7	9.9	7.8	8.3	7.2	7.3	8.5	7.9	7.4	7.6	8.5	8.6	8.3	7.9	8.1	0.7				
IRL	17.5	14.1	13.3	11.9	12.6	14.5	9.0	11.0	13.9	13.3	13.9	14.4	13.9	14.1	14.3	13.3	10.7	-0.1				
I	20.1	18.1	17.2	15.1	12.7	14.8	12.1	10.9	11.6	10.6	11.3	11.6	11.6	11.8	11.4	10.6	10.3	-2.3				
NL	8.3	5.7	6.1	6.4	5.7	5.4	6.1	5.4	6.4	5.5	5.4	5.8	6.4	5.4	5.4	5.5	5.2	-0.3				
P	16.8	20.9	22.5	21.0	15.4	16.0	13.7	14.9	14.1	13.2	14.2	13.3	14.1	13.4	13.4	13.2	13.2	-2.0				
UK	12.2	10.1	10.1	12.3	10.9	11.4	9.8	10.9	11.2	9.9	11.2	11.4	11.2	11.1	10.8	9.9	9.2	-1.2				
EUR 12 (n)	13.8	12.0	11.2	10.5	9.0	9.7	8.7	8.5	9.1	8.8	8.7	8.9	9.1	9.0	8.8	8.8	8.9	0				
USA	10.6	8.7	9.5	7.5	6.0	6.5	6.1	5.4	5.8	5.8	5.3	5.5	5.8	5.8	5.6	5.8	5.7	-0.6				
JAP	6.8	6.5	6.3	6.5	5.0	5.3	4.7	4.8	4.3	4.0	4.8	4.3	4.3	4.3	3.8	4.0	4.0	-1.7				

TABLE A.7: Long-term interest rates (o)

	1982	1983	1984	1985	1986	1986				1987				1986				1987				Change over 12 months % (e)
						I	II	III	IV	I	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March					
B	13.5	11.8	12.0	10.6	7.9	8.4	7.9	7.4	7.5	7.7	7.4	7.3	7.4	7.7	7.6	7.6	7.7	-0.7				
DK	20.5	14.4	14.0	11.6	10.6	9.5	10.2	11.1	11.6	12.1	11.1	11.0	11.7	11.6	11.3	12.4	12.1	2.6				
D	9.0	7.9	7.8	6.9	5.9	5.9	5.9	5.8	5.9	5.6	5.8	6.0	6.1	5.9	5.8	5.7	5.6	-0.3				
GR	15.4	18.2	18.5	15.8	15.8	15.1	17.1	13.6	14.7	17.5	13.6	14.5	14.7	14.7	17.7	17.2	17.5	2.4				
E	16.0	16.9	16.5	13.4	11.4	12.2	11.0	11.1	10.4	11.0	11.1	10.2	10.3	10.4	10.7	10.6	11.0	-1.2				
F	15.6	13.6	12.5	10.9	8.4	8.4	8.0	7.8	8.9	8.5	7.8	8.1	8.7	8.9	8.9	8.8	8.5	0.1				
IRL	17.0	13.9	14.6	12.7	11.1	9.4	9.3	12.5	13.0	11.2	12.5	13.7	13.5	13.0	12.6	12.4	11.2	1.8				
I	20.9	18.0	14.9	13.0	10.5	12.4	9.7	9.3	8.9	8.7	9.3	9.2	9.1	8.9	8.8	8.7	8.7	-3.7				
L	10.4	9.8	10.3	9.5	8.7	9.1	8.7	8.5	8.1	:	8.5	8.5	8.5	8.1	8.1	:	:	-1.1				
NL	10.5	8.8	8.6	7.8	6.8	6.9	6.9	6.5	6.9	6.8	6.5	6.7	6.7	6.9	6.7	6.8	6.8	-0.1				
P	25.3	30.4	32.5	25.4	17.9	20.3	19.4	15.6	16.0	15.4	15.6	14.9	15.0	16.0	14.8	15.0	15.4	-4.9				
UK	12.7	10.8	10.7	10.6	9.8	8.9	9.3	10.6	10.3	9.2	10.6	10.6	10.8	10.3	10.0	9.6	9.2	0.3				
EUR 12 (n)	14.4	12.8	12.1	10.6	8.9	9.2	8.6	8.6	8.7	8.4	8.6	8.6	8.8	8.7	8.7	8.6	8.4	-0.8				
USA	12.2	10.8	12.0	10.8	8.1	8.0	8.2	8.1	7.7	8.5	8.1	8.0	7.8	7.7	7.6	7.6	8.5	0.5				
JAP	8.3	7.8	7.3	6.5	5.2	4.7	5.1	5.7	5.2	:	5.7	5.5	5.4	5.2	5.0	4.4	:	-0.9				

TABLE A.8: Value of ECU = ... units of national currency or SDR

	1982	1983	1984	1985	1986	1986				1987				1986				1987				Change over 12 months % (b)
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April					
BFR/LFR	44.68	45.44	45.44	44.91	43.78	44.35	43.93	43.65	43.27	42.87	43.25	43.33	43.28	42.87	42.73	42.99	43.05	-2.0				
DKR	8.15	8.13	8.15	8.02	7.94	7.98	7.96	7.94	7.86	7.81	7.85	7.87	7.86	7.83	7.79	7.81	7.83	-1.5				
DM	2.38	2.27	2.24	2.23	2.13	2.17	2.15	2.11	2.08	2.07	2.08	2.09	2.08	2.06	2.06	2.08	2.08	-3.6				
DR	65.30	78.09	88.44	105.7	137.4	133.2	135.0	137.9	143.4	151.1	140.7	143.3	146.6	149.8	151.3	152.1	152.9	13.4				
PTA	107.6	127.5	126.6	129.1	137.5	136.2	136.9	137.0	139.7	145.0	138.6	140.1	140.6	144.0	145.4	145.7	145.6	6.6				
FF	6.43	6.77	6.87	6.80	6.80	6.66	6.85	6.87	6.82	6.89	6.82	6.82	6.83	6.88	6.87	6.81	6.92	1.3				
IRL	0.690	0.715	0.726	0.715	0.734	0.715	0.708	0.745	0.765	0.775	0.765	0.765	0.765	0.772	0.775	0.777	0.777	9.6				
LIT	1324	1350	1381	1447	1462	1476	1476	1454	1443	1469	1442	1443	1443	1463	1468	1476	1482	0.4				
HFL	2.62	2.54	2.52	2.51	2.40	2.45	2.42	2.38	2.35	2.33	2.35	2.36	2.35	2.33	2.33	2.34	2.34	-3.5				
ESC	78.0	98.7	116.3	130.2	147.1	141.3	143.8	149.0	153.9	159.4	152.8	153.8	155.2	158.5	160.0	159.9	160.7	12.8				
UKL	0.561	0.587	0.591	0.589	0.672	0.642	0.636	0.681	0.727	0.729	0.729	0.723	0.727	0.738	0.740	0.711	0.704	11.0				
USD	0.981	0.890	0.789	0.762	0.984	0.924	0.959	1.013	1.038	1.125	1.040	1.029	1.045	1.112	1.130	1.132	1.147	20.6				
YEN	243.5	211.4	187.0	180.5	165.0	173.3	162.8	157.8	166.4	172.2	162.5	167.7	169.5	171.9	173.4	171.3	163.9	1.4				
DTS	0.888	0.833	0.767	0.749	0.838	0.821	0.828	0.842	0.859	0.895	0.858	0.858	0.865	0.897	0.896	0.892	0.888	7.5				

TABLE A.9: Effective exchange rates: export aspect (p) — Percentage change on preceding period

	1986					1987				1986				1987				Change over 12 months % (b)
	1982	1983	1984	1985	1986	Percentage change on preceding period												
						I	II	III	IV	I	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	
B/L	-9.2	-2.8	-2.2	0.9	6.4	2.0	1.3	1.5	1.7	2.6	0.9	-0.1	0.4	2.1	0.6	-0.8	-0.3	5.3
DK	-4.4	-0.6	-3.7	1.2	7.5	2.3	0.6	0.6	2.7	2.7	1.9	-0.1	0.5	2.1	0.9	-0.8	-0.5	6.9
D	5.0	4.0	-1.5	0.4	11.3	3.7	1.2	1.9	2.9	3.1	1.3	0	0.7	2.5	0.5	-0.9	-0.3	9.0
GR	-8.0	-18.1	-14.2	-15.7	-20.4	-3.1	-1.1	3.4	-3.1	-3.2	-0.9	-1.7	-1.9	-0.7	-0.6	-0.7	-0.6	-8.7
E	-6.0	-17.2	-2.3	-2.2	-0.5	1.5	-0.1	-1.4	-0.8	-1.4	-0.1	-1.0	0.1	-0.7	-0.5	-0.5	-0.1	-1.6
F	-8.3	-7.1	-4.7	1.1	5.5	2.9	-2.9	0.7	1.9	1.2	1.4	0.2	0.2	0.9	0.6	-0.8	-0.4	3.0
IRL	-1.1	-4.1	-4.2	1.1	4.8	2.7	1.2	-2.6	-0.7	0.6	1.0	-0.2	0.6	0.6	0	-1.1	-0.3	-3.4
I	-6.9	-3.8	-5.7	-5.1	4.7	3.1	0.4	2.8	2.1	0.3	1.0	0	0.5	0.2	0.1	-0.8	-0.6	4.2
NL	5.1	2.0	-1.5	0.3	8.2	2.6	1.1	2.5	1.9	2.2	0.9	0	0.5	2.0	0.2	-0.8	-0.1	6.6
P	-12.9	-21.1	-17.3	-11.4	-6.7	-0.4	-1.3	-2.1	-2.0	-1.7	-0.7	-0.6	-0.5	-0.7	-0.6	-0.3	-0.7	-7.5
UK	-4.4	-7.0	-4.7	-0.2	-6.7	-6.0	1.6	-5.5	-5.6	2.2	-4.0	0.9	-0.1	0.4	0.1	4.2	0.9	-5.4
EUR 12	-7.0	-8.5	-9.1	-1.8	10.8	3.4	0.4	2.0	2.0	4.4	0.8	0.3	0.9	3.2	0.8	-0.2	-0.5	8.3
USA	12.0	5.7	7.8	4.0	-18.4	-5.7	-4.6	-4.1	-0.3	-5.7	-0.2	1.6	-0.9	-4.4	-1.4	-0.9	-2.3	-13.7
JAP	-5.0	10.9	5.5	3.0	28.8	7.3	8.7	7.6	-3.8	1.2	-1.4	-3.7	-0.3	2.5	-0.1	0.9	5.1	13.8

Principal economic policy measures - April 1987

Community (EUR)

None.

Belgium (B)

31.3 The special powers under which the Government was authorized to take budget consolidation measures without recourse to Parliament expired. However, the Government reached an agreement on several decrees designed to keep expenditure under control, especially expenditure on education.

Denmark (DK)

9.4 In order to discourage shopping outside the national frontier, and particularly in Germany, the Government announced various measures. The tax and duty free allowance for shoppers spending less than 24 hours out of the country is reduced to DKR 275 (formerly DKR 2 800). Purchase taxes on various consumer appliances (radios, record players, microwave ovens, etc) are abolished, whereas the registration tax on four-wheel-drive cars is increased to compensate for the revenue shortfall.

Federal Republic of Germany (D)

None.

Greece (GR)

30.3 By decision of the Governor of the Bank of Greece, interest rates on time deposits with banks were changed as follows:

- 17 % on amounts below DR 1 million (formerly DR 500 000);
 - 18 % on amounts between DR 1 million and DR 5 million (formerly DR 500 000 and DR 1 million);
 - 19 % on amounts in excess of DR 5 million (formerly on amounts between DR 1 million and DR 3 million);
 - the 20 % rate previously payable on amounts in excess of DR 3 million no longer applies.
- The same changes were made to the rates of interest on medium-term notes issued by banks.

13.4 The Government announced the following increases in public service charges:

- electricity: 14–15 % on household consumption, 10 % for other uses (except industrial use, where there was no increase);
- urban transport: 15 %; transport between towns: 12 %;
- domestic air transport: from 5.5 % to 8.5 %;
- postal charges: an average of 12 %;
- telephone charges: from 20 % to 67 % for installation, from 8 % to 12 % for calls.

Spain (E)

23.4 The Bank of Spain raised the compulsory reserve ratio from 19 % to 19.5 % of liabilities. The rate will also apply to peseta deposits by non-residents, and to the increase in banks' net debtor position from the level recorded on 22 April.

27.4 Continuing the policy announced at the end of 1986, the Bank of Spain raised in several stages throughout April the rate of interest on its loans to financial institutions. The rate now stands at 16.875 %, compared with 14 % at the end of March and 12.2 % in January.

28.4 The Ministry of Economic Affairs temporarily prohibited the payment of interest on convertible peseta deposits. The measure applies only to deposits in excess of 10 million pesetas.

France (F)

1.4 The Ministry of Economic Affairs and Finance gave details of the distribution of extra capital allocations (FF 5 000 million altogether) to be made to industrial companies from the higher-than-expected proceeds of privatization, which amounted to FF 41 000 million instead of FF 30 000 million as estimated in the 1987 budget. An amount of FF 800 million will be allocated to industrial modernization, in particular in the chemical industry. Advanced technology industries (aerospace and electronics) will also receive FF 800 million, while FF 1 400 million will go to the SNCF to finance the Atlantique high-speed train. The motorway companies will receive FF 2 000 million. The capital allocations already planned on the basis of the FF 30 000 million originally expected from privatization go to major public sector enterprises in financial difficulties, such as Régie Renault, CDF-Chimie and the steel industry.

Ireland (IRL)

None.

Italy (I)

None.

Luxembourg (L)

None.

Netherlands (NL)

None.

Portugal (P)

1.4 The Government approved the plan for structural adjustment of the external deficit and of unemployment (PCEDED). Its main aim is to generate a major surge in investment, especially in the sectors subject to international competition, so as to achieve rapid growth of gross domestic product, employment and exports. The PCEDED provides a long-term economic policy programme (until 1994).

United Kingdom (UK)

None.

Prices (excluding VAT) in Luxembourg

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